Financial statements of

St. Mary's Hospital Foundation

March 31, 2024

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Independent Auditor's Report

To the Members of
St. Mary's Hospital Foundation

Qualified Opinion

We have audited the financial statements of St. Mary's Hospital Foundation (the "Foundation"), which comprise the balance sheet as at March 31, 2024, and the statements of income and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of income over expenditures, and cash flows from operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and fund balances as at April 1 and March 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended March 31, 2023, was also modified because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP[1]

June 12, 2024

[1] CPA auditor, public accountancy permit No. A125888

St. Mary's Hospital Foundation

Statement of income and expenditures

Year ended March 31, 2024

	Notes and Schedule	Endowment Fund	Restricted Fund	General Fund	2024 Total	2023 Total
		$	$	$	$	$
Income						
Donations and events revenue		26,100	3,446,187	3,838,026	7,310,313	5,796,288
Investment income	3	551,679	386,455	3,163,462	4,101,596	981,436
		577,779	3,832,642	7,001,488	11,411,909	6,777,724
Expenditures						
Salaries		—	—	968,052	968,052	958,420
Expenses – events		—	41,591	671,737	713,328	700,475
Administrative and fundraising expenses		—	—	317,863	317,863	239,754
Investment expenses		—	—	144,168	144,168	133,226
Amortization of capital assets		—	—	1,831	1,831	4,697
		—	41,591	2,103,651	2,145,242	2,036,572
Excess of income over expenditures before the following items		577,779	3,791,051	4,897,837	9,266,667	4,741,152
Donations to St. Mary's Hospital Centre	A	—	(1,250,257)	(1,551,297)	(2,801,554)	(2,254,356)
Chairs and special projects		—	(460,000)	(230,841)	(690,841)	(324,000)
Excess of income over expenditures		577,779	2,080,794	3,115,699	5,774,272	2,162,796

The accompanying notes and supporting schedule are an integral part of the financial statements.

St. Mary's Hospital Foundation

Statement of changes in fund balances

Year ended March 31, 2024

	Notes	Endowment Fund	Restricted Fund	Invested in capital assets	Unrestricted	Total
		$	$	$	$	$
Balance as at March 31, 2022		9,712,811	11,731,008	5,982	13,098,867	34,548,668
Excess (deficiency) of income over expenditures		(200,710)	864,212	(4,697)	1,503,991	2,162,796
Acquisition of capital assets		—	—	3,548	(3,548)	—
Interfund transfer	6	—	1,350,719	—	(1,350,719)	—
Balance as at March 31, 2023		**9,512,101**	**13,945,939**	**4,833**	**13,248,591**	**36,711,464**
Excess (deficiency) of income over expenditures		**577,779**	**2,080,794**	**(1,831)**	**3,117,530**	**5,774,272**
Acquisition of capital assets		**—**	**—**	**20,168**	**(20,168)**	**—**
Interfund transfer	6	**—**	**1,991,058**	**—**	**(1,991,058)**	**—**
Balance as at March 31, 2024		**10,089,880**	**18,017,791**	**23,170**	**14,354,895**	**42,485,736**

The accompanying notes and supporting schedule are an integral part of the financial statements.

St. Mary’s Hospital Foundation

Balance sheet

As at March 31, 2024

	Notes	2024	2023
		$	$
Assets			
Current assets			
Cash		**595,669**	448,732
Accounts receivable		**635,930**	226,368
Prepaid expenses		**112,843**	62,387
		1,344,442	737,487
Portfolio investments, at fair value	4	**42,472,688**	37,401,341
Capital assets	5	**23,170**	4,833
		43,840,300	38,143,661
Liabilities			
Current liabilities			
Accounts payable and accruals		**192,548**	113,834
Due to St. Mary’s Hospital Centre		**1,097,066**	1,113,863
Unearned revenue		**64,950**	144,500
Loan – Canada Emergency Business Account ("CEBA")	12	**—**	60,000
		1,354,564	1,432,197
Pledges payable commitments	10		
Fund balances			
Endowment	7	**10,089,880**	9,512,101
Externally restricted	8	**18,017,791**	13,945,939
General			
Invested in capital assets		**23,170**	4,833
Unrestricted		**14,354,895**	13,248,591
		42,485,736	36,711,464
		43,840,300	38,143,661

The accompanying notes and supporting schedule are an integral part of the financial statements.

Approved by the Board

____, Director

____, Director

St. Mary's Hospital Foundation
Statement of cash flows
Year ended March 31, 2024

	2024	2023
	$	$
Operating activities		
Excess of income over expenditures	**5,774,272**	2,162,796
Adjustments for:		
Amortization of capital assets	**1,831**	4,697
Realized gains on investments	**(153,918)**	(1,367,903)
Unrealized change in fair value of investments	**(2,641,167)**	1,451,219
Share donations received	**(1,169,120)**	(287,198)
	1,811,898	1,963,611
Changes in non-cash operating working capital items		
Accounts receivable	**(429,562)**	(81,569)
Prepaid expenses	**(50,456)**	19,765
Accounts payable and accruals	**78,714**	53,097
Due to St. Mary's Hospital Centre	**(16,797)**	412,637
Unearned revenue	**(79,550)**	80,250
	1,314,247	2,447,791
Investing activities		
Acquisition of capital assets	**(20,168)**	(3,548)
Acquisition of investments	**(14,208,771)**	(15,104,941)
Proceeds on sale of investments	**13,101,629**	12,507,966
	(1,127,310)	(2,600,523)
Financing activities		
Repayment of CEBA Loan	**(40,000)**	—
Net increase (decrease) in cash	**146,937**	(152,732)
Cash, beginning of year	**448,732**	601,464
Cash, end of year	**595,669**	448,732

The accompanying notes and supporting schedule are an integral part of the financial statements.

1. Nature of the activities of the Foundation

The St. Mary's Hospital Foundation (the "Foundation") is incorporated under Part III of the *Companies Act* (Québec) as a not-for-profit organization and is a registered charity within the meaning of the *Income Tax Act*. Under the *Income Tax Act*, the Foundation is classified as a public foundation and is subject to the articles thereof. The objective of the Foundation is to raise funds for the needs of St. Mary's Hospital Centre (the "Hospital") that are not funded by the ministère de la Santé et des Services sociaux. The Hospital is a McGill affiliated CHAU accredited community hospital.

2. Accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") using the restricted fund method and reflect the following significant accounting policies:

Fund accounting

Donations and other income received by the Foundation are classified into three funds: the Endowment Fund, the Restricted Fund and the General Fund.

The Endowment Fund records donations that are subject to donor stipulations requiring the capital to be maintained. The fund balance consists of original endowment contributions plus cumulative investment income required to be reinvested in endowment capital as per the Foundation's current Capital Funds Governance Policy.

The Restricted Fund includes resources that are subject to requirements specified by the donors, including investment income earned on endowment funds established for restricted purposes. The fund balance consists of restricted funds received but not yet spent.

The General Fund records all unrestricted activities, which includes sources of funds that are not subject to specific stipulations and are available for operations or as directed by the board of directors. Funds invested in capital assets report the capital assets less their accumulated amortization.

Investment income

Investment income is recorded when earned. Investment income is allocated in accordance with the Foundation's Capital Funds Governance Policy. Unrestricted investment income is recorded in the General Fund. In order to preserve endowment capital against inflation, only a prescribed percentage, as determined by the board, of the opening fair value of endowment capital is made available for spending and is recorded in the Restricted Fund. Any excess of actual investment income earned on endowments over the prescribed amount is recorded as investment income in the Endowment Fund. In the event of a shortfall, a negative investment income is recorded in the Endowment Fund drawing down on investment income previously accumulated.

Donations

Pledged donations are disclosed in the notes to the financial statements and are only recorded as income when received.

Donated goods and services

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated. Furthermore, each year, many volunteers give a lot of their time to the Foundation to make sure that it can provide its services. These services are not recognized in the financial statements.

2. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is computed on the straight-line basis over the estimated useful life of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	10 years

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

Subsequently, all financial instruments are measured at amortized cost except for portfolio investments, which are measured at fair value at the balance sheet date.

Transaction costs

Transaction costs related to portfolio investments are expensed as incurred. Transaction costs for all other instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in the statement of income and expenditures as interest income or expense.

Impairment

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in operations an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to operations in the period the reversal occurs.

2. Accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenue and expenses are translated at the exchange rates prevailing on the transaction dates. Realized and unrealized exchange gains and losses are included in the statement of income and expenditures. The Foundation does not use derivative instruments to mitigate foreign exchange risk.

Use of estimates

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Investment income

	2024	2023
	$	$
Interest	**718,927**	477,206
Dividends and other distributions	**587,584**	587,546
Realized gains on investments	**153,918**	1,367,903
Unrealized change in fair value of investments	**2,641,167**	(1,451,219)
	4,101,596	981,436

The allocation of investment income is made in accordance with the Foundation's Capital Funds Governance Policy described in Note 2, resulting in the presentation of investment income in the statement of income and expenditures as follows:

	2024	2023
	$	$
Endowment Fund	**551,679**	(225,835)
Restricted Fund	**386,455**	378,956
General Fund	**3,163,462**	828,315
	4,101,596	981,436

4. Portfolio investments, at fair value

	2024	2023
	$	$
Cash and cash equivalents	**5,554,060**	6,858,096
Bonds – Canadian	**6,460,366**	5,730,796
Mutual funds, equities and fixed income – Canadian	**3,455,029**	4,898,904
Shares – Canadian	**14,991,821**	9,928,333
Shares – Foreign	**11,574,380**	9,549,108
Alternative investments	**437,032**	436,104
	42,472,688	37,401,341

Market risk

The Foundation is subject to market risk, which is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. These risks include exposure to fluctuations in interest rates and in foreign currencies. The concentration of risk is mitigated because of the Foundation's diversification of its investment portfolio.

Currency risk

The Foundation has investments in foreign currencies and is accordingly subject to risk arising from currency rate changes. The fair value of U.S. shares is translated at the current rate as at year-end was 1.3550 in 2024 (1.3533 in 2023) and comprised 33.38% (36.87% in 2023) of the foreign shares balance.

Interest rate risk

The Foundation has interest rate risk from the impact of changes in interest rates on the fair value of fixed-income investments. The Foundation's bonds bear interest at rates ranging from 0.90% to 5.70% (0.80% to 7.88% in 2023) and mature within the next eight years (seven years in 2023).

Credit risk

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have comparable characteristics or obey similar variations relating to economic or political conditions. The credit risk is mainly due to the fact that the Foundation owns bonds. There is a risk that the issuer will be unable to pay their obligations towards the Foundation. The Foundation mitigates this risk through the diversification of its investment portfolio.

5. Capital assets

			2024	2023
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Office furniture and equipment	**126,339**	**114,483**	**11,856**	4,551
Leasehold improvements	**42,839**	**31,525**	**11,314**	282
	169,178	**146,008**	**23,170**	4,833

6. Interfund transfers

The board of directors of the Foundation may authorize, from time to time, transfers between funds in accordance with the Hospital's strategic direction. The interfund transfers consist primarily of funds collected through the Foundation's fundraising events that are allocated to specific internal and external projects. In 2024, $2,010,915 was transferred from the General Fund to the Restricted Fund with 100% of the net proceeds of $495,227 from the 2023 St. Mary's Masters golf tournament allocated to breast cancer care, 100% of the net proceeds of $1,202,933 from the 2023 St. Mary's Ball allocated to mental health, $279,131 for future Auxiliary initiatives, $32,685 to cover Board of Governors initiatives and $939 to cover supply needs in the cancer care ward. An amount of $19,857 was transferred from the Restricted Fund to the General Fund for SMHC centennial celebrations. In 2023, $1,350,719 was transferred from the General Fund to the Restricted Fund with 100% of the net proceeds of $432,521 from the 2022 St. Mary's Masters golf tournament allocated to the Orthopaedics department, 100% of net proceeds of $884,087 from the 2022 St. Mary's Ball allocated to Campus Development, $18,868 to cover Board of Governors initiatives, $11,286 for planning the SMHC centennial celebrations and $3,957 to cover supply needs in the birthing centre.

7. Endowment

	2024	2023
	$	$
McGill Chair – Family and Community Medicine Research	**3,443,642**	3,258,803
McGill Chair – Community Cancer Care	**3,984,761**	3,770,876
Family Medicine	**103,710**	97,681
Oncology	**237,711**	223,426
Helene Derouin Renaud	**282,865**	265,955
Johnson Fund for Geriatrics	**237,816**	219,329
Edward Tinmouth	**347,577**	327,371
Gail Hutchison	**385,927**	346,615
St. George's Lodge	**156,986**	147,860
Renal Dialysis	**256,648**	241,728
Hingston Grant/Medical Leadership	**168,648**	156,979
J. Desmarais Fund for Nurses	**82,249**	77,468
I.C.U. Fund	**102,811**	96,835
Ophthalmology	**82,249**	77,468
Governors of St. Mary's Legacy	**24,108**	22,707
Arvind K. Joshi Nursing Research Fellowship	**190,926**	179,827
Joyce Stuart Slapcoff	**1,246**	1,173
	10,089,880	9,512,101

8. Externally restricted

	2024	2023
	$	$
Campus Development Project	**4,863,437**	4,969,055
Disbursable Endowment Interest	**1,609,621**	1,577,931
Senior Friendly Initiative	**1,887,225**	1,321,622
Psychiatry Department Renovation	**1,258,320**	—
Cancer Care Program	**873,968**	471,833
Heart and Stroke	**725,165**	685,649
Medicine	**678,935**	476,584
General Surgery	**677,655**	72,275
Girls for the Cure	**578,126**	517,525
Pamela Prchal Fund for Advancement in Cancer	**463,439**	412,590
Dr. Hemmings Female Pelvic Medicine Fellowship	**375,636**	414,354
Auxiliary General Fund	**375,402**	3,737
Orthopaedic Fellowship	**342,206**	265,134
GRASP Project	**293,500**	—
Ophthalmology	**287,841**	233,656
Orthopaedic Equipment Fund	**276,117**	466,802
Emergency Fund	**226,256**	268,635
Family Medicine	**224,686**	170,497
Professional Advancement	**208,348**	214,483
Geriatrics	**114,112**	94,993
SMHC Mat/Child Physicians Fund	**110,780**	101,837
Obstetrics	**104,679**	65,927
RCN Oncology Department Director's Fund	**104,530**	18,320
Jane M. Skoryna Nursing Bursary Fund	**100,000**	—
Other fund balances of less than $100,000 each	**1,257,807**	1,122,500
	18,017,791	13,945,939

9. Pledges receivable, but not recognized in the financial statements

At year-end, the Foundation had received pledges totalling $3,980,000, which are receivable up to 2029 as follows:

	$
2025	1,170,000
2026	1,170,000
2027	1,020,000
2028	570,000
2029	50,000
	3,980,000

10. Pledges payable commitments but not recognized in the financial statements

At year-end, the Foundation's outstanding pledges to the Hospital over a period up to ten years were as follows:

	$
McGill Family and Community Medicine Chair	220,000
McGill Community Cancer Care Chair	410,000
Rossy Cancer Network	1,440,000
Medical Research and Teaching	1,690,000
Oncology Career Development Award	135,000
5th Floor In-Patient Cancer Care Renovation	63,700
Additional Funding – 5th Floor	92,759
McGill Orthopaedic Fellowship and Research	136,165
Simulation Room in Emergency	14,692
Research Scientific Director Recruitment and Retention	450,000
SMHC Site Specific Equipment (Urology, Gastroenterology, Anesthesiology, ICU, Orthopaedics, Emergency)	906,377
Orthopaedic Project	400,000
Senior Friendly Initiative	1,237,500
Bridge Financing – Geriatric and In-Patient Psychology ward renovations to be funded by CIUSSS ODIM	2,500,000
COVID-19 Needs	111,277
Sleep Apnea Project	67,773
Human Resource Software for the CIUSSS ODIM	53,683
	9,928,926

In addition, the Foundation has pledged $16,000,000 to support the modernization project subject to conditions regarding the feasibility of the project and other matters specified by the Foundation. Any disbursements related to this pledge are expected to be made in the next three to five years.

The timing of disbursement of these pledges will depend on the timing of the Hospital's execution of its plans in these areas and subject to the cash availability of the Foundation. Amounts claimed by the Hospital are expensed only when properly submitted, reviewed and approved by the Foundation.

11. Financial instruments

Liquidity risk

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due.
The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2024, the most significant financial liabilities are accounts payable and accruals and due to St. Mary's Hospital Centre.

12. Government Programs

The Foundation had a line of credit loan of nil ($60,000 in 2023) as part of the Government-sponsored Canada Emergency Business Account ("CEBA") program. The line was non-interest bearing and the term of repayment was no later than January 18, 2024. The line of credit was reimbursed during the year. The CEBA contract included an early repayment loan forgiveness of $20,000, which the Foundation recognized in 2021 when the conditions were met. The forgivable portion was included in accounts receivable. The net reimbursable amount of $40,000 was repaid during the year and the loan and account receivable balances were both reduced as non-cash transactions.

Donations to St. Mary’s Hospital Centre – Schedule A

	2024	2023
	$	$
From Restricted Funds		
Cancer care	**325,244**	305,437
Campus Development	**313,862**	36,827
Medicine	**283,965**	154,783
Family Medicine	**129,732**	89,220
Emergency	**94,523**	2,415
Professional Advancement	**66,514**	44,302
Women’s Wellness Initiative	**28,113**	—
Other projects	**8,304**	49,539
	1,250,257	682,523
From General Funds – Unrestricted		
Medical research and teaching	**1,285,412**	1,263,189
Medical equipment	**47,513**	148,660
Programs and services	**34,822**	39,000
Renovations	**4,793**	120,984
Centennial	**178,757**	—
	1,551,297	1,571,833
	2,801,554	2,254,356